

Examiners' Reports

June 2011

J320/R/11

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This report on the Examination provides information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the specification content, of the operation of the scheme of assessment and of the application of assessment criteria.

Reports should be read in conjunction with the published question papers and mark schemes for the Examination.

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General Certificate of Secondary Education

Economics (J320)

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Chief Examiner's Report

Introduction

There were over 3000 candidates for entered for unit A591, about 2700 candidates entered for unit A592 and over 2200 candidates entered for unit A593.

It was pleasing to see that many candidates were well prepared in terms of knowledge, understanding and application across the specification. There were, however, some candidates who appeared to lack the necessary knowledge and were not adequately prepared for one or some of the papers, although in some cases these candidates were not taking the GCSE qualification this year. There is some evidence based on the mean marks on the respective units which suggests that the candidates might have performed better on A591 than A592, perhaps being more familiar with micro than the macroeconomic concepts and principles. With regard to A593, candidates were obviously familiar with the case study materials, although some could make greater use of the data in the examination room when writing their answers, especially on the later higher tariff questions. Many candidates were able to demonstrate the skill of analysis within the higher tariff questions on all three papers, although evaluation was sometimes lacking, even among the more able candidates.

A591 How the Market Works

General Comments

As with last year, it was pleasing to note that most candidates were well prepared in terms of knowledge, understanding and application for this paper and across the specification. Only a small number of candidates either appeared to lack the necessary knowledge or ignored the context in which the question was asked. Candidates need to realise that in parts (c) and (d) of each question mere regurgitation of learnt knowledge without addressing the actual question is unlikely to be well rewarded. In these parts of each question, especially, it is important to make good use of economic concepts and ideas in order to be able to offer analysis.

To achieve a high mark it is essential that candidates address the 'key word' such as 'explain' or 'discuss' and realise that these require different approaches. Not doing so may heavily restrict the marks which can be gained. Candidates should have opportunities to practice analysis and evaluation in a range of different situations related to the specification. To reach the top mark band on part (d) questions it is expected that candidates can reach a supported conclusion. While very good application could lead to this, it is much easier if analysis is provided. Some candidates realised that a conclusion was required, but often were unable to offer one drawn from the material.

Although the paper was aimed at the whole ability range, there was little evidence that candidates, as a whole, could not try and answer every question. Candidates should be encouraged to fully learn the basics in order to improve their performance, as well as to exercise greater care in answering the question asked. There was also some evidence that many candidates ignored the number of marks allocated to a question.

Where candidates use the extra paper after the final question it would help both examiners, and themselves, if they could indicate that this was the case. Although many did do this, a large proportion did not – leaving it to the examiner to exercise due care in checking these pages. Candidates should be encouraged to draw diagrams with a ruler and large/clear enough to ensure that they are accurate and easily read on screen.

Comments on Individual Questions

Question 1

This question required candidates to demonstrate knowledge of a number of economic terms with the majority of marks being focused on supply and demand. It appeared that many candidates were unfamiliar with the functions of money.

- a) Most candidates realised that 'teaching' was the correct choice for the first part and that the 'English Teacher' was the correct answer to the second part. It was good to see that very few candidates ticked more than one answer. Although a large majority of the candidates realised what the economic problem was in the final part, many were unable to apply this accurately to the situation.
- b) While many candidates gained both marks, many did not appear to understand what was meant by the functions of money. Unfortunately, a few candidates stated medium of exchange, despite the fact that the question had explicitly required two functions of money 'other than money as a medium of exchange'.

- c) Using the graph provided and figures in the table, candidates had to draw a supply and demand diagram and state the equilibrium price and quantity. Most candidates did this correctly. The most common errors were to either not label the lines or to not start the supply curve at $P=10$ and $Q=0$. Other candidates seemed to ignore the table and drew a generic diagram. On the whole, candidates read either their graph or used the figures provided in order to gain both marks.
- d) Most candidates realised that this was a supply and demand question. Many could have improved their performance if they had either drawn a diagram(s) or had considered shifts in the curves, rather than offering a list of factors causing an increase in price. It appeared as if many candidates thought in terms of supply only, while others used the terms demand-pull and cost-push inflation.

Question 2

This question covered topics from all three sections of the specification. It was the question where failure to read the question and to act on the instructions was most noticeable.

- a) As all four factors featured in Fig. 2, the vast majority of candidates gained both marks. The most common answer for part (i) was capital (equipment). A few candidates, however, were unsure of factors of production.
- b) Candidates seemed well prepared for both aspects of this question. It is important, however, that candidates read the whole question as a few used their own figures for average revenue. In part (ii), the 'explain' command word was ignored by a number of candidates. The best answers were those which explained that the price should be increased because the fall in demand would be proportionally less than the increase in price, leading to an increase in total revenue.
- c) The best responses targeted the full six marks available on this part of the question and, therefore, included the required two extended answers. Many did not register this fact and gave simple differences. Other candidates wrote about 'private' for the first difference and 'public' for the second; for example, ownership in the public sector in the first section and then ownership in the private sector in the second. This approach usually limited the marks that could be awarded.
- d) This part of the question generated a wide range of responses, although most showed some awareness of monopoly. The majority of candidates were able to apply ideas such as inelastic demand and economies of scale to monopolies with most using these in the context of Culthwaite Rail Ltd, although this was not a requirement. Candidates who could develop economies of scale, by explaining that these did not just lead to lower average cost, and discuss that it could result in lower prices/greater demand and/or higher profits for reinvestment, were able to achieve the higher marks. Many of these candidates could have achieved even higher marks by addressing 'the extent to which'. A number of candidates, unfortunately, focused on the potential benefits to the consumer rather than to a firm which could gain no credit.

Question 3

The focus of this question was on the aspects of production and the labour market. Candidates need to make sure that they understand the difference between production and productivity.

- a) Most candidates were able to correctly read Fig. 3 and provide the correct answer. Those who showed the correct calculation, but reached an incorrect answer, could still gain one mark.

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- b) A large proportion of candidates were able to achieve full marks. In part (i) however, some preferred taxes to deductions, while in part (ii) quite a number did not recognise National Insurance as a deduction from gross income.
- c) As long as candidates understood that production and productivity were not the same they could gain credit in part (i). Education/training, specialisation/division of labour and wages were the most common answers in part (ii). Those candidates who understood that these would lead to a worker increasing their output did well. However, many candidates stated that 'more education would increase productivity' and thus failed to explain.
- d) The candidates who realised that they needed to use economic ideas to answer the question did well. The best responses most commonly featured supply and demand diagrams, while some use of elasticity was another common idea, as was the power of the BMA. However, many candidates appeared to disregard the economics and offered judgemental, and often inaccurate, statements about doctors and nurses.

A592 How the Economy Works

General Comments

It was pleasing to see that many candidates were well prepared for this paper. There were, however, some candidates who appeared to lack the necessary knowledge and were not adequately prepared. There were also some candidates who ignored the context in which the question was asked. In parts (c) and (d), especially, regurgitation of learnt knowledge without addressing the requirements of the actual question is unlikely to be well rewarded. On the other hand, many candidates did provide clear analysis in answers to parts (c) and (d) of the questions to gain high marks. To achieve the highest marks on the longer answers to part (d) questions, evaluation is often required; and candidates often failed to evaluate. Further comments with regard to this will be found in respect of the individual questions as below.

Although the paper was aimed at the whole ability range, there was little evidence that candidates, as a whole, could not try and answer every question. There is evidence that a few candidates failed to complete question 3(d), perhaps by spending too much time on unnecessary material in other questions. For example, a very concise answer could achieve all four marks on question 2(b).

Overall this was a good paper for differentiating a range of abilities and many of the better candidates showed advanced levels of understanding of macroeconomic principles.

Comments on Individual Questions

Question 1

The data was a bar chart which showed the quarterly change in UK GDP for a five year period.

- (a) Most candidates correctly identified the quarter with the greatest rise in GDP as Q1 2006 and that with the greatest fall as Q1 2009. However, there were some incorrect answers, particularly Q4 2008 instead of Q1 2009.
- (b) (i) Most candidates were able to explain economic growth as a rise in GDP over time, or similar. Some, however, just referred to output itself rather than to the rise in output.
- (ii) The candidates were asked to what extent Fig. 1 showed evidence of economic growth. In a nutshell, there was growth each quarter up to and including Q1 2008, followed by a period of negative growth/recession. There were plenty of good answers along these lines, but also a lot of answers lacking clarity or precision. A common line was to state that growth fell during 2008 rather than specify that it became negative as shown in the data.
- (c) How would inflation and employment be affected by these growth trends? There were a lot of competent answers to this part of the question which recognised that both variables would be likely to rise in the period of positive growth and explained why. Those which similarly covered the recession period (lower employment and inflation) often achieved full marks. Some answers only covered one of the periods, which restricted the mark available. Weak answers argued that inflation would rise as GDP fell as there was a misunderstanding that lower GDP means less supply so higher inflation, or that inflation rose in times of recession because firms tried to recoup the loss in income from a fall in sales by raising prices. Some responses confused cause and effect, and discussed how inflation or unemployment would affect growth.

- (d) This part of the question asked for an explanation of two policies to achieve growth and employment, and a discussion of effectiveness. Some candidates ignored the stem which stated 'other than changing interest rates' and wrote about them anyway. Protectionist policies were not acceptable. Some named supply-side policy without actually identifying any particular policy measure. Similarly, others named fiscal policy without stating which one (expansionary or budget deficit). In practice, supply-side policies re education and training and a fiscal budget deficit were the most popular policies which candidates explained. Others included components of fiscal policy, such as more government spending or tax cuts, reducing state benefits, or adjusting the national minimum wage.

There were many good answers to this part of the question. Candidates often explained the rise in AD resulting from the fiscal measures, sometimes referring to a multiplier effect. With regard to training schemes, it was often explained that workers become more skilled, productive, mobile and employable. Those who evaluated effectiveness usually gained full marks; however too few candidates did this. The most frequent evaluative comment for fiscal policy was that its effectiveness depended what happened to extra income – it could be saved or spent on imports. The most frequent evaluative comment for supply-side policies was that there were long time lags which were likely to affect the effectiveness.

Question 2

The data showed original and final income distribution between households in the UK.

- (a) Most candidates identified the original incomes of the poorest and richest fifths of households as below £10 000 and above £70 000 respectively. Some candidates ignored the instruction and ticked more than one box in each column.
- (b) The difference between a direct and indirect tax was widely understood, with income tax and VAT being the most popular examples. A small number of candidates got the two types confused. Some candidates wasted time with extra irrelevant material about the tax burden or choice or progressive/regressive, etc.
- (c) Explanations regarding how incomes are redistributed varied greatly. Most candidates understood that more tax was paid by higher income groups, and benefits received by poorer groups. Quite often, examples of benefits were given. Some candidates specified income tax as aiding redistribution, and some of these gave details of tax bands. Some recognised that this tax is progressive, but then did not give an accurate explanation. The better answers explained correctly what a progressive tax means with regard to redistribution. Better responses identified the difference between universal and means tested benefits.
- (d) Should taxes and benefits be used to redistribute incomes? Some candidates only gave one side of the argument but most attempted arguments for and against. There were many who explained that inequalities of incomes would be reduced (poor answers stated incomes would become equal), poverty would be reduced and living standards increased for low income groups. Some argued that there would be less social problems or that economic activity would be encouraged as these groups spend their extra incomes. Basic arguments against simply stated that it was not fair that people who worked hard had a lot of income taken in tax. The better answers gave arguments concerning disincentive effects of benefits (to work) and/or of high direct taxes (to work longer, get promotion, run businesses). Some candidates mentioned tax exiles and the fact that the government then gets no revenue from these people. The best answers came to a conclusion based on the arguments given.

Question 3

The line graph showed the UK Bank Rate between June 2007 and Dec 2009.

- (a) There were a few numerical errors although the large majority of the candidates could calculate the change in Bank Rate as (-) 4.5%.
- (b) Why are there different rates of interest? Many candidates were unprepared for this question, and often there was no attempt at a response. In other cases, the answer given was not relevant to the question; for example, why the Bank of England changes rates. The most common correct reasons given were the difference between the saving and borrowing rates, necessary for banks to pay costs and make profits; competition between institutions driving up savings rates and/or lowering lending rates; and the degree of risk for loans.
- (c) The great majority of candidates understood that falling interest rates would increase spending in the economy. Many explained that saving was less rewarding and borrowing cheaper and that spending would subsequently rise, although weaker responses stated less reward for saving would mean less spending. The best answers gave a bit more analysis, such as the disposable incomes of mortgage holders rising and/or the likelihood that firms would borrow to invest, thus contributing to rising (aggregate) demand.
- (d) There were a wide range of responses to this part of the question regarding the effect of lower interest rates on macro-economic objectives. There were a few candidates who did not recognise the objectives, but the vast majority did so. Most recognised that spending would rise and help achieve more employment and economic growth, often with sound explanations. Some candidates ignored inflation, but most went on to state that it was likely to rise, often explaining demand-pull inflation. Some also discussed the balance of payments. However, most answers did not address 'the extent to which' – a requirement for access to Level 4 evaluation marks. An explicit discussion of the conflict between objectives would, for example, as would do this as would considerations of the size of the impact or the time scale or the relative importance of the objectives.

A593 The UK Economy and Globalisation

General Comments

A593 is worth half of the overall GCSE in Economics and as such should be taken as the final unit. Over 2200 candidates sat this paper this year. It was pleasing to see that most candidates were well prepared in terms of knowledge, understanding and application for this paper and across the specification. Candidates appeared to have a good grasp of the pre-release case study material and were able to apply their knowledge. There were, however, a small number of candidates who appeared to lack the necessary knowledge or understanding of the case study.

The paper, aimed at the whole ability range, showed little evidence that candidates, as a whole, could not try and answer every question. It was pleasing to see that nearly all were, in general, able to pick up marks on the more demanding questions and were not overwhelmed by these higher tariff and more analytical questions.

Comments on Individual Questions

Question 1

- (a) This part of the question was well answered with most candidates able to identify the correct answer.
- (b) This part of the question was also well answered with most candidates able to identify the correct answer. If candidates put 'Australia', then the benefit of the doubt was given.
- (c) Most candidates had an understanding of what is an export. The majority of candidates scored at least one mark. Some candidates failed to achieve a mark as they did not identify that with an export, the money comes back into the exporting country. Some candidates gave a fairly vague answer whereby they explained a good went from one country to another. This was too vague to gain any marks.
- (d) Most candidates correctly identified the first statement as an example of an import to the UK. Some candidates seemed confused with the final statement and incorrectly identified it as an import to the UK.

Question 2

- (a) The answers to this part of the question were contained in the Stimulus Material. Most candidates were able to identify two countries which are in the EU. The majority of candidates gave the UK, France, Germany and Ireland as their answers. Some candidates chose Romania, Estonia and Bulgaria adding variety to the responses.
- (b) Almost all candidates were able to correctly identify France in the list as the country which has the euro as its currency. A few candidates ticked two countries and, therefore, received no marks.
- (c) Most candidates had a good understanding of free trade. Some candidates only gained one mark because they either stated that free trade was the absence of barriers to trade or types of protectionism.

- (d) This was the first of the levels of response marked questions. As with all level of response questions on this paper, apart from question 3(c), in order to be placed in the top level, candidates must analyse at least one point from each side of the argument. On this part of the question candidates were expected to explain why the UK should/should not continue to be a member of the European Union. Most candidates were able to attempt this question, with the higher-achieving providing very impressive answers. Weaker responses included, for example, listing points and, therefore, could not access beyond Level 2.

Question 3

- (a) Most candidates gained at least two marks on this part of the question. It was pleasing to see so many candidates correctly using figures from the data to back up their description of the data. Some candidates gave description outside of the period given in the question.
- (b) This part of the question gave a variety of answers across the candidate range. Some candidates were able to correctly identify two factors which may cause the demand for pound sterling to fall. As the direction of the movement of pound sterling was given in the question, candidates were expected to state increases/decreases or high/low. An answer of 'inflation' did not receive a mark; however, higher/lower inflation did.
- (c) Many candidates had a good understanding of how changes in the exchange rate would affect the UK's current account on the balance of payments. The more able candidates were able to use the data from the case study to answer this part of the question and gain full marks. Candidates must be prepared to use the case study to answer all questions on the paper.

Question 4

- (a) Most candidates were able to correctly identify the two correct headlines: A and C.
- (b) Most candidates correctly stated that a trade deficit is when imports exceed exports. The more able candidates achieved both marks by stating that the value of imports exceeds the value of exports.
- (c) The more able candidates were to fully explain both the benefits and the costs of international trade and, therefore, access the top level. Some, however, simply listed the costs and/or benefits of international trade without explaining them.

Question 5

- (a) The majority of the candidates were able to identify the bottom two statements as the correct answers. This was, on the whole, a well answered question.
- (b) Most candidates were able to achieve at least one mark on this part of the question. Some, however, gave vague answers which did not state that a subsidy was a sum of money given to a firm by the government. Other candidates did not provide a brief reason as to why a subsidy would be given.
- (c) This part of the question required candidates to draw and label a diagram to show a subsidy and to then explain how a subsidy would help firms become more competitive. Higher-achieving candidates easily obtained all four marks for clearly drawing and labelling the diagram. However, common mistakes included incorrect axis labelling, labelling demand and supply the wrong way round, not labelling the old and new equilibrium and shifting supply to the left or shifting the demand curve.

The explanation of the diagram also provoked a variety of answers. Most candidates were able to explain that the supply would increase and the price would fall. Some candidates were then able to go on and explain how this process would make them more competitive, but others simply rewrote the question.

Question 6

- (a) (i) Most candidates gave China as the correct answer.
- (ii) Most candidates were able to correctly calculate the average growth rate for the BRIC countries. Some candidates forgot to include the percentage sign and, therefore, only achieved two marks. There were occasional mistakes due to not having a calculator
- (b) This part of the question gave a variety of responses. It was pleasing to see that most candidates attempted this to more demanding question. It was also pleasing to see that many candidates used data from the case study to help answer the question. Some, however, did not develop their ideas, simply stating data as 'good' or 'bad'. These candidates could not access more than Level 2. However, there were some excellent answers which explained reasons why the BRIC countries would/would not become major economies, using both the data provided and their own ideas.

Question 7

This question was similar in style to the final question on the legacy case study paper. As usual with this type of question, candidates' answers were varied. This final question encompasses all of the figures in the case study and the candidate's own knowledge. At the top end there were some very impressive answers where candidates analysed both sides of the argument and provided a justified conclusion, and some candidates showed knowledge beyond that required at GCSE level.

However, some candidates did not use any of the data in the case study to help answer the question. There were responses which did not explain about the growth of China and India, simply explaining UK trade with China and India.

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